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DIA and DOS review(s) completed.

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2. Soviet-Iranian economic negotiations--The Soviet Government is prepared to begin economic negotiations (aside from oil) with the Iranian Government, Qavam has informed Embassy Tehran. According to Qavam, Iran must obtain (a) free use of the dollar credits and gold held in Moscow (under the terms of the Soviet-Iranian financial agreement of 1943), or (b) the goods from the USSR which it really needs rather than those which the USSR might choose to sell.

Qavam admitted that expiration of the 1943 agreement on 2 March entitled Iran to free utilization of these credits in the world market. The Embassy's representative pointed out that this appeared to be another case in which Qavam felt compelled to negotiate with the USSR in order to obtain a right that was already his. Qavam replied: "That's the situation in which we find ourselves."

3. US position concerning Soviet troops in Balkans--The State Department on 5 April instructed Dunn to press energetically for the simultaneous conclusion of peace treaties with Austria, Bulgaria, Hungary and Rumania. The signature of the Austrian treaty would terminate the Allied occupation and eliminate any necessity for the retention of

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Soviet troops in the Balkans to maintain communication lines to Soviet occupation forces in Austria. In this connection, the US Chief of Staff has now advised the US Military Advisor to the Council of Foreign Ministers that, should the Balkan treaties be signed prior to the Austrian treaty, it is the US position that (a) the treaties should stipulate the exact nature of the maintenance troops rather than grant broad rights for the retention of forces in these countries, and (b) the Soviets need no communication lines through Bulgaria, since those through Rumania and Hungary are adequate for the support of Red troops in Austria.

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EUROPE-AFRICA

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8. IRAQ: New defensive steps against possible attack--US Legation
Baghdad reports that the Iraqi Army is moving toward Iraq's north-
eastern frontier in order to block possible aggression from Iranian
Kurdistan.

The Assistant US Military Attache, Tehran, on the basis of recent personal observations, reports that (a) the Kurds appear uncertain as to their future course of action in view of the recent Soviet-Iranian agreement, and (b) the Iranian military authorities now consider the military situation in Kurdistan somewhat less critical.

7. GERMANY: Anticipated results of Socialist-Communist merger in Soviet zone--Murphy expects that the United Workers Party (an amalgamation of the Socialist and Communist Parties recently effected throughout the Soviet occupation zone) may soon launch open attacks on the moderate and conservative parties as reactionary forces "which deserve no recognition in a progressive democracy." He quotes a Berlin G-2 report that local Soviet authorities favor the United Workers Party as the leader of the "battle for a classless society" in Germany.
8. USSR: Delivery of US tug boats--Ambassador Smith reports that the Soviets plan to send Soviet Naval personnel to take delivery at Point Pleasant, West Virginia, of tug boats purchased by the USSR. Smith questions the advisability of allowing the Soviets to sail these vessels under their flag through US inland waterways. He recommends that, in view of tight Soviet restrictions on US movements within the USSR, we should not "give away such concessions for nothing."

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9. KOREA: USSR modifies stand--General Hodge reports that the Joint Commission has agreed on the text of a declaration which political parties will be required to make before they are consulted on the formation of a Korean provisional government. This declaration pledges the parties to cooperate with the Joint Commission in fulfilling the aims "of the Moscow decision on the formation of a provisional Korean democratic Government." General Hodge believes that Soviet acceptance of this formula represents a considerable departure from the original Soviet position.

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